THE CANADIAN WHEAT BOARD

Report to Producers
on the
1986-87 Crop Year

The cover of this report shows a "Welsh Fan" wheat weaving design made from Wakooma durum wheat. It was produced by Leslie Benci of Winnipeg, Manitoba. Wheat weaving originated as a means of showing appreciation for a bountiful harvest and to ensure good crops for the coming year. According to custom, the life giving spirit of the wheat brings peace and prosperity to the home that displays these harvest emblems.

INTRODUCTION

This report reviews the circumstances which affected the sale, price, and shipment of your 1986 crop. For most farmers in Western Canada, it was the biggest crop ever, although the quality was disappointing for many. It was also the biggest year ever for exports. Total Western Canadian exports of the six major grains and grain products reached 31 million tonnes, about 600 000 tonnes more than the previous record.

Unfortunately, although Wheat Board sales were up by 30 per cent, sales revenue to producers was down 13 per cent. The year was one in which the U.S. trade war guns were fully turned not only on the EEC, but on all other exporters. During the year, EEC wheat export subsidies were about twice the sales value. U.S. barley export subsidies were almost equal to the sales value. Wheat Board 1986-87 initial prices for wheat and barley had to be dropped $30 per tonne or more in order to be in line with world levels. Government support payments became essential to offset the decline in market prices.

These unfortunate circumstances made it more important than ever for the Board to fulfill its mandate to sell as much grain as possible in the world market. The message we continue to receive from producers is that "low cash flow is better than no cash flow." And as a merchandiser, the Board wants to make sure that it maintains market share so that producers are in a position to take advantage of any turnaround in prices.

This is the fifth consecutive report in which we have had to review a year of declining prices. We hope it is the last. As this report is being written, there are some signs of optimism in the world market. However, we cannot say that things have turned around. The U.S. government still has a lot of ammunition left in its attempt to hold down prices. But while we cannot say that we see a turnaround, we can see a bend in the road.

This report is a condensed version of our full annual report, which will contain considerable detail on Board operations through the year. The financial statements in this report are the same as those in the full report. If you would like a copy of our annual report, please write to our Information Department at the address below.

W. E. Jarvis
Chief Commissioner

R. L. Kristjanson
Assistant Chief Commissioner

F. M. Hetland
Commissioner

W. H. Smith
Commissioner

On peut se procurer, sur demande, le texte français du rapport annuel dans sa version complète après du Service de l'information de la Commission canadienne du Blé.

The Canadian Wheat Board, P.O. Box 816, Winnipeg, Manitoba, R2C 2P5

THE 1986 WORLD CROP

Grain production estimates are produced by a number of public and private agencies in many countries. Most major grain trading organizations, including the Wheat Board, have crop monitoring departments that try to keep track of how much grain is produced around the world.

But no one ever knows for sure just how much has been produced. No one has ever weighed the entire grain production of a single country, let alone the entire world. So the grain trade estimates that we use in this publication are just that—estimates. The numbers themselves are not that important—no one can visualize a pile of wheat weighing 500 million tonnes, which is about the level of wheat production in recent years. What is important for grain analysts is how the numbers change from year to year.

For sake of simplicity, and consistency with others, Board publications like this one stick to figures from recognized agencies such as Statistics Canada, the U.S. Department of Agriculture (USDA), and the International Wheat Council (IWC).

TABLE 1
WORLD GRAIN PRODUCTION

	Wheat	Rice	Coarse Grains	All Grains
		(Millions of Tonnes)		
1977	386.4	369.7	717.0	1 473.1
1978	451.0	387.1	763.0	1 601.1
1979	428.8	377.0	744.2	1 550.0
1980	445.3	399.0	732.7	1 577.0
1981	453.4	412.2	767.4	1 633.0
1982	482.1	423.4	781.6	1 687.1
1983	494.3	450.5	691.3	1 636.1
1984	516.7	469.6	821.1	1 807.4
1985	505.0	472.4	856.8	1 834.2
1986[1]	534.8	472.4	848.6	1 855.8

[1]Preliminary—Subject to Revision
Source: IWC World Wheat Statistics and Market Report, December 1987

Wheat

The 1986 world production figures, especially for wheat, are an exception. Table 1 lists IWC world wheat production of 535 million tonnes for 1986. There is no doubt the world had a good wheat crop in 1986, but there is some doubt it was 30 million tonnes higher than the previous year. This difference is about equal to a record Canadian wheat crop.

In fact, the IWC world wheat estimate was 511 million tonnes in late September of 1986, when much of the world harvest was in its final stages. The figure was later revised to 535 million tonnes. This brought IWC figures more in line with the USDA estimates.

Consequently, the large world production figures were generally accepted. The high stocks, real or perceived, kept a great deal of pressure on world markets during the year.

In most other areas of the world, 1986 wheat production was not significantly different from 1985. The biggest exception to this was the United States, where a combination of increased set-aside acreage and lower yields brought production down by 14 per cent

to 56.9 million tonnes. After two years of drought-reduced crops, Canadian wheat producers increased acreage, and good growing conditions brought production to a record 31.4 million tonnes. Production was also up in some Middle Eastern countries, as well as China, India, and Pakistan.

In the major exporting countries outside North America, production changed very little, with differences of less than five per cent in the EEC, Australia, and Argentina.

Durum

World durum production reached 29.2 million tonnes in 1986. This was a record, and was 15 per cent higher than in 1985. Western Canada accounted for much of the increase, with production almost doubling to 3.9 million tonnes. Output also increased in the EEC. In the U.S., the only other major exporter beside Canada, production dropped from 3.1 million to 2.7 million tonnes.

While volume was high, stocks of higher quality durum were relatively tight. Canadian growers will remember the very poor harvest weather in 1986, and the same poor conditions reduced quality in the U.S.

Coarse Grains

World coarse grains (corn, barley, oats, sorghum, rye, millet, and mixed grains) production in 1986 was 849 million tonnes, slightly below the 1985 record. Major changes included increased production in Africa, Asia, and the Soviet Union, and decreased production in the U.S., Mexico, Australia and Western Europe.

Of the total, barley production was 186 million tonnes, about seven million tonnes more than in 1985. The Soviet Union, which leads the world in barley production, accounted for 54 million tonnes. Among the exporters, EEC production dropped about five million tonnes to 47 million and Australian production fell by 1.2 million tonnes to 3.6 million. The Canadian barley crop reached a record 14.6 million tonnes, and U.S. output increased slightly to 13.3 million.

World oats production in 1986 fell seven per cent to 48.3 million tonnes.

WORLD TRADE

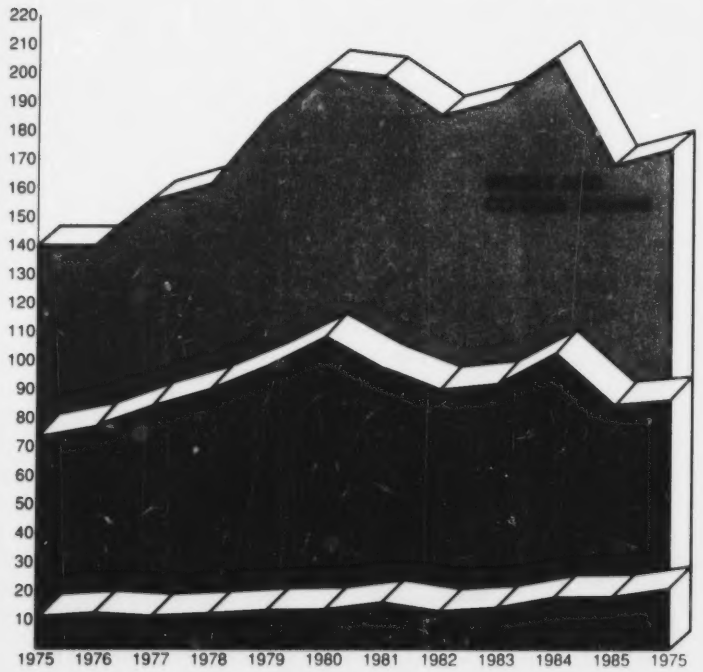
The key to understanding world wheat and coarse grain trade figures is to remember the figure "100." World trade in both jumped sharply in the late seventies, and both reached about the 100-million-tonne level. Wheat trade was close to this level from 1980-81 through 1984-85. Coarse grain trade fluctuated a bit more, but exceeded 100 million tonnes in 1980-81 and 1984-85.

Future graphs of world trade are likely to show these years as a "spike" in an otherwise steady upward trend. In 1985-86, world trade in both wheat and coarse grains slid back to about 83 million tonnes. However, some exporters, particularly the EEC and the U.S., had come to view the 100-million-tonne export figures as normal. The sharp drop in demand was felt most by the U.S., which frantically began trying to maintain export volumes by lowering prices.

The 1986-87 crop year showed only a moderate improvement in world trade. Wheat trade rose by five million tonnes to 88 million, and coarse grains edged up by a million tonnes to 86 million.

Durum trade (included in overall wheat figures) increased by 24 per cent to 4.2 million tonnes in 1986-87. This was due to

World Wheat and Coarse Grain Trade
(Million Tonnes)



1 Includes durum wheat and wheat flour
2 Includes corn, barley, sorghum, rye, oats and millet
Source: International Wheat Council. Review on the World Wheat Situation for years 1975–1983; IWC Market Report, Dec. 86 for years 1984 to 1986
USDA Foreign Agr. Circular, FG-3 1985, for barley 1981–83

increased imports by the EEC, Libya, Venezuela, and Tunisia. Both Canadian and U.S. exports were up, while EEC exports fell considerably.

Barley trade (included in overall coarse grain figures) reached 20.2 million tonnes in 1986-87, an increase of 2.1 million tonnes from the year before. Continued increases in Saudi Arabian imports accounted for most of this. Canada and the EEC were the

TABLE 2
MAJOR GRAIN EXPORTERS
IN 1986-87[1]

	Wheat and Wheat Flour	Bulk Coarse Grains[4]
	(Millions of Tonnes)	
Argentina	4.3	7.0
Australia	15.0	3.3
Canada	20.8	7.2
E.E.C.[2,3]	15.5	7.9
United States	27.2	41.9
Others	5.6	18.5
Grand Total	88.4	85.8

[1] Preliminary—Subject to Revision
[2] Twelve Member States
[3] Excluding EEC Intra-Trade
[4] Includes Rye, Barley, Corn, Sorghum and Mixed Grains
Source: IWC Market Report, December 1987

largest barley exporters with about seven million tonnes each. Australian exports dropped by almost half to 2.2 million tonnes. The U.S. filled this gap and some of the increase in world trade with aggressive exports through the EEP program. Its exports rose from 400 000 tonnes to 2.9 million tonnes.

Only a small percentage of oats enters world trade. Exports in 1986-87 increased slightly to an estimated 1.3 million tonnes. The main feature of world oats trade during the year was the reduction in exports of Swedish and Finnish oats. This provided additional opportunity for Canadian oats sales into the U.S.

PRICES

Producers have unfortunately already had a great deal of material to read on what happened to prices in 1986-87, so we will not add much in this report. In summary, 1986-87 was the year in which all gloves were taken off in the grain trade war. The U.S. BICEP or EEP (Export Enhancement Program), which was originally billed as being targeted at markets unfairly lost to the EEC, became a virtual blanket subsidy by the end of the year. The finger came out of the dyke when the U.S. agreed to sell wheat under EEP at prices as low as U.S.$69.00 a tonne. Such sales received a subsidy of more than U.S.$40.00 per tonne. With subsidies running about the same level for barley, prices were proportionately even more depressed.

Although oats export volumes are relatively small compared to other grains, prices were the one bright spot in 1986-87. For the past several years, much of the U.S. demand for high-quality oats has been met by Swedish and Finnish oats that were offered at very competitive prices. But their availability was restricted because of concern over radioactivity from the Chernobyl nuclear accident. Strong U.S. demand in 1986-87 was largely filled by Canadian oats, and prices improved through the year.

TABLE 3

1986[1] PRAIRIE YIELDS AND PRODUCTION

	ALBERTA				SASKATCHEWAN			
	Yield		Production		Yield		Production	
	1986	10-year Average 1976-85	1986	10-year Average 1976-85	1986	10-year Average 1976-85	1986	10-year Average 1976-85
	(Bus. per Acre)		(Mln. Tonnes)		(Bus. per Acre)		(Mln. Tonnes)	
Wheat	34.9	29.6	7.2	5.4	31.2	26.3	18.4	13.3
Barley	59.5	46.1	7.2	6.0	51.8	42.2	4.0	2.9
Oats	72.3	58.1	1.5	1.4	61.3	48.2	.7	.8
Rye	37.2	30.0	.2	.2	26.9	24.5	.3	.2
Flaxseed	22.4	17.8	—	—	21.3	16.5	.4	.2
Canola	25.0	20.8	1.6	1.1	26.2	22.4	1.5	1.1
Total Production	—	—	17.7	14.1	—	—	25.3	18.5

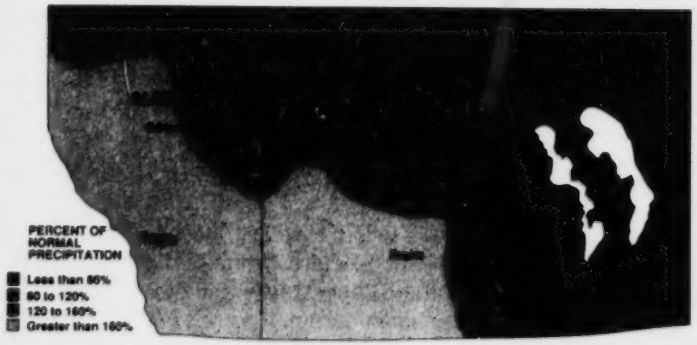
	MANITOBA				TOTAL WESTERN CANADA			
	Yield		Production		Yield		Production	
	1986	10-year Average 1976-85	1986	10-year Average 1976-85	1986	10-year Average 1976-85	1986	10-year Average 1976-85
	(Bus. per Acre)		(Mln. Tonnes)		(Bus. per Acre)		(Mln. Tonnes)	
Wheat	33.2	29.9	4.5	3.1	32.3	27.6	30.1	21.6
Barley	54.8	47.0	1.9	1.9	56.2	45.0	13.2	10.5
Oats	66.7	51.8	.5	.5	67.7	53.5	2.7	2.7
Rye	31.3	30.7	.1	.1	30.5	26.7	.6	.6
Flaxseed	21.8	15.7	.6	.3	21.7	16.1	1.0	.6
Canola	25.5	21.3	.6	.4	25.5	21.4	3.7	2.6
Total Production	—	—	8.2	6.3	—	—	51.3	38.6

[1] Preliminary—Subject to Revision
Includes British Columbia
Source: Statistics Canada

The 1986 Western Canadian crop of the six major grains, at 51.3 million tonnes, was the biggest ever. It was over 10 million tonnes larger than in 1985, and about five million larger than the previous record in 1982.

The foundations for the big crop were laid in the fall of 1985. After two years of severe drought during the growing season, the southern Prairies received heavy rains in August and September.

PERCENT OF NORMAL PRECIPITATION FOR SEPTEMBER, 1986



These maps highlight two major features of the 1986 growing season. Rains in mid-September affected large parts of the Prairies. The first map shows substantial portions of Alberta and Saskatchewan, and even parts of Manitoba, where rainfall was significantly higher than normal. Many farmers could not get to their crops to complete harvesting until October. As a result, grades suffered in many areas. The second map shows the percentage of rainfall received in the first three months of the 1986 growing season. Areas where grain yield was reduced in 1986 can be found in this map: specifically, the Peace River area and northeastern Saskatchewan.

PERCENT OF NORMAL ACCUMULATED PRECIPITATION FROM MAY 1 TO JULY 31, 1986

This left above-normal soil moisture reserves for the spring of 1986. Farmers responded with above-normal seedings, and summerfallow acreage was the lowest since 1940.

Spring rains in May delayed seeding in many areas, which could not finish until well into June. Although June was relatively dry, there were ample rains in July and August during the critical grain filling period. The exceptions were the Peace River area and north-central and northeastern Saskatchewan, which had below-normal rainfall.

August was an excellent month for ripening, with warm, dry weather in many areas. But as the harvest got underway, heavy rains caused considerable crop deterioration. Many farmers were not able to resume harvest until an exceptionally warm, dry period in October. The grade pattern suffered as a result. In addition to large quantities of No. 3 CWRS and Feed wheat, there was a record quantity of low-grade durum.

SALES OF CANADIAN GRAIN

Wheat and wheat products

Canadian exports of wheat and durum wheat in 1986-87 totaled 20.8 million tonnes, an 18-per-cent increase over the level of the previous year, and the third-largest export volume on record.

TABLE 4
CANADIAN WHEAT (INCLUDING DURUM) AND WHEAT FLOUR EXPORTS TO MAJOR MARKETS

	1986-87[1]	1985-86	1984-85
		(Thousands of Tonnes)	
U.S.S.R.	5 785	5 219	6 019
China	4 194	2 614	2 845
Japan	1 349	1 272	1 324
Cuba	1 250	1 137	779
South Korea	1 173	472	—
Brazil	780	986	1 152
Iraq	691	347	367
Italy	634	367	221
U.K.	503	702	633
Algeria	448	492	508
United States	420	281	169
Peru	344	47	26
Others[2]	3 212	3 789	3 540
Total	20 783	17 725	17 583

[1] Preliminary—Subject to Revision
[2] Includes—Bagged Seed Exports
Source: Canadian Grain Commisision for 1986-87
Previous Years—Statistics Canada

During the marketing year, the Wheat Board aggressively sought out markets for an unusually varied assortment of grades from the 1986 Prairie wheat crop. In all, Prairie wheat was shipped to 59 countries in 1986-87.

As shown in Table 4, China significantly increased purchases of Canadian wheat in 1986-87. Wheat imports by the Soviet Union and Japan were slightly higher than the previous year. Increased purchases by South Korea of mainly feed wheat made that country one of Canada's top wheat importers in 1986-87. While wheat imports by the United Kingdom and Brazil were down from the level of the previous year, purchases by Italy and Iraq rose in 1986-87. Countries included in the "others" category of Table 4 account for an important share of Canada's overall wheat exports. Within this grouping of Canadian wheat importers for 1986-87, 15 countries purchased between 100 000 and 500 000 tonnes each and 33 countries bought under 100 000 tonnes each.

Durum wheat

Canadian exports of durum wheat rose in 1986-87. This was a welcome change after two consecutive years of drought on the Prairies that reduced durum supplies. Italy and the Soviet Union increased imports of Canadian durum.

Oats

Oats exports rose to 250 000 tonnes in 1986-87, mainly because of continued strong demand for quality oats in the United States. This compared with total exports the previous year of 43 000 tonnes.

TABLE 5
CANADIAN DURUM EXPORTS TO MAJOR MARKETS

	1986-87[1]	1985-86	1984-85
		(Thousands of Tonnes)	
U.S.S.R.	498	254	533
Italy	480	255	162
Algeria	423	492	508
Libya	135	108	103
Japan	79	18	61
United States	61	—	—
Cuba	58	63	59
German Dem. Rep.	47	48	50
Venezuela	38	49	48
Others	138	98	302
Total	1 957	1 385	1 826

[1]Preliminary—Subject to Revision
Source: Canadian Grain Commission for 1986-87
Previous Years—Statistics Canada

Barley

Exports of barley and barley products were a record 6.7 million tonnes in 1986-87. Following two consecutive years of drought, the Prairies returned to more normal production in 1986 and larger supplies of barley for export sale.

The Soviet Union was Canada's largest buyer of barley in 1986-87, with significantly increased purchases of almost 2.2 million tonnes. Barley exports to Saudi Arabia, at just under 2.0 million tonnes, were also higher. China, a relatively new market for Canadian barley, increased its purchases in 1986-87. Romania, which has been an intermittent buyer in the past, became a major barley market. The Philippines became a new market for barley in 1986-87, and Ecuador made its first purchase of barley from Canada since the late 1970s.

TABLE 6
CANADIAN BARLEY EXPORTS TO MAJOR MARKETS

	1986-87[1]	1985-86	1984-85
		(Thousands of Tonnes)	
U.S.S.R.	2 149	439	410
Saudi Arabia*	1 941	899	—
Japan	731	839	735
German Dem. Rep.	467	571	798
China	285	213	—
Romania	284	87	—
Israel	197	145	187
Others	479	399	474
Bulk Grand Total	6 533	3 592	2 604
Malt	185	203	177
Grand Total	6 718	3 795	2 781

* Official statistics do not fully reflect imports. Previous to 1985-86, most Saudi barley imports were in bags, and were transhipped from Belgium & Singapore.
[1]Preliminary—Subject to Revision
Source: Canadian Grain Commission for 1986-87
Previous Years—Statistics Canada

Canadian grain exports stretch to all corners of the globe. In 1986-87, 72 countries bought wheat, oats, and barley from Prairie farmers.

TRANSPORTATION AND HANDLING

The 1986-87 crop year was a fast-paced year for grain shipments from the Prairies to export and domestic markets. Producer grain deliveries were the second-highest on record at almost 35 million tonnes. Shipments from country elevators totaled over 33 million tonnes.

Grain moved through West Coast facilities at Vancouver and Prince Rupert in record quantities. West Coast exports were a record 16 million tonnes. This reflected the Wheat Board's attempts to once again use the West Coast as much as possible to take advantage of the cost savings available in western grain movement compared to eastern movement. Of the total, export shipments through the port of Prince Rupert totaled 4.2 million tonnes. The high West Coast movement was aided by good weather during the winter, both on the Prairies and through the Rockies.

Shipments through Thunder Bay and St. Lawrence River ports were at one of the highest levels in recent years. Grain exports in 1986-87 increased to about 13 million tonnes, 2.5 million tonnes more than the previous year.

West Coast ports of Vancouver and Prince Rupert kept up a record pace of grain shipments during the 1986-87 crop year, with total exports of about 16 million tonnes. This was 3.5 million tonnes more than the previous export record set in 1983-84.

TABLE 7
DELIVERIES SHIPMENTS AND EXPORTS OF WESTERN CANADIAN GRAIN

	Producer Deliveries		Elevator Shipments		Exports	
	1986-87[1]	1985-86	1986-87[1]	1985-86	1986-87[1]	1985-86
	(Thousands of Tonnes)					
Wheat	19 474	19 277	19 849	17 481	18 250	15 771
Durum	2 934	1 691	2 550	1 438	1 991	1 405
Oats	457	320	445	235	257	44
Barley	7 448	6 435	7 508	5 859	6 718	3 794
Rye	259	239	197	283	166	276
Flaxseed	742	689	625	558	685	626
Canola	3 364	2 926	2 148	1 616	3 645	2 365
Total	34 678	31 577	33 322	27 470	31 712	24 281

[1] Preliminary—Subject to Revision
[2] Includes Products
Source: Statistics Canada and Canadian Grain Commission

However, movement of grain during the 1986-87 crop year was not without disruptions, many of them the result of work stoppages at Canadian ports. On September 3, 1986, a strike/lockout of Thunder Bay grain handlers shut down operations at the terminals and quickly resulted in a draw-down of stocks at St. Lawrence transfer houses. Limited amounts of grain were cleaned on the Prairies and railed directly to the St. Lawrence during the month-long dispute. A dispute over container traffic between longshoremen and management at West Coast ports in early October resulted in a work stoppage November 15. West Coast longshoremen were legislated back to work on November 20. Longshoremen at the port of Quebec were off work from September 15, 1986, until February 7, 1987.

TABLE 8
SUPPLY AND DISPOSITION OF CANADIAN WHEAT, OATS & BARLEY

	WHEAT (including Durum)		OATS		BARLEY	
	1985-86	1986-87[1]	1985-86	1986-87[1]	1985-86	1986-87[1]
Inward Carryover August 1						
On Farms	1 080	775	495	605	865	1 095
In Commercial Facilities	6 518	7 809	124	171	1 291	2 209
Production	24 252	31 378	2 997	3 251	12 443	14 634
Total Supply	31 850	39 962	3 616	4 027	14 599	17 938
On Farm Use	2 958	3 717	2 567	2 454	5 769	6 586
Comm. Use	2 583	2 618	229	227	1 731	1 342
Exports	17 725	20 783	44	257	3 795	6 718
Total Use	23 266	27 118	2 840	2 938	11 295	14 646
Outward Carry-over July 31	8 584	12 844	776	1 089	3 304	3 292

[1] Subject to Revision
Source: Statistics Canada

FINANCIAL RESULTS

Details of the final operating results of the Board on the 1986-87 Pool Accounts for Wheat, Amber Durum Wheat, Oats, Designated Oats, Barley and Designated Barley are presented in this section of the report with commentary thereon.

POOL ACCOUNT—WHEAT

Initial Payments

During the crop year the Board was authorized to purchase wheat from producers at a fixed initial price of $130.00 per tonne for No. 1 Canada Western Red Spring.

Supplies of Wheat

Supplies of wheat in the 1986-87 Pool were 20 596 221 tonnes, comprised of 18 555 981 tonnes delivered by producers, 178 783 tonnes acquired from other than producers and 1 861 457 tonnes purchased from the previous pool.

Grade Pattern

Deliveries of grain to the 1986-87 Pool Account were of similar quality compared with receipts in the previous pool. Deliveries of Nos. 1 and 2 Canada Western Red Spring totaled 9.528 million tonnes or 51.34 per cent of total receipts, while No. 3 Canada Western Red Spring receipts of 5.056 million tonnes amounted to 27.25 per cent of total receipts. Deliveries of Utility grades including Canada Feed amounted to 2.700 million tonnes or 14.55 per cent of total producer deliveries. Approximately 6.03 per cent of producer deliveries graded tough while .24 per cent graded damp compared to 19.32 per cent grading tough and 3.92 per cent grading damp in the previous year.

Final Statement of Operations and Surplus for Distribution to Producers—Wheat—Table A

Marketing operations on the Pool Account for Wheat resulted in an operating surplus of $8,028,507. After allowing for the cost of issuing the final payment and adding estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers amounted to $8,118,973. This represents an average of $0.437 on producer deliveries of 18 555 981 tonnes. Table B shows the total price realized by producers at $130.00 for No. 1 CW Red Spring compared to $160.00 for the previous pool.

TABLE B

PAYMENT RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF WHEAT
BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(dollars per tonne)		
Red Spring Wheat Grades			
No. 1 Canada Western Red Spring	$130.00	-	$130.000
No. 2 Canada Western Red Spring	124.21	-	124.210
No. 3 Canada Western Red Spring	110.21	-	110.210
No. 1 Canada Utility	104.21	2.497	106.707
No. 2 Canada Utility	92.21	1.322	93.532
No. 1 Canada Prairie Spring	95.21	11.497	106.707
No. 2 Canada Prairie Spring	91.21	13.497	104.707
Canada Feed	90.00	-	90.000
No. 1 Canada Western Red Winter	109.21	-	109.210
No. 2 Canada Western Red Winter	107.21	-	107.210
No. 1 Canada Western Soft White Spring	105.00	2.707	107.707
No. 2 Canada Western Soft White Spring	102.00	4.707	106.707

TABLE A

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1986-87 POOL ACCOUNT—WHEAT
For the period August 1, 1986 to October 31, 1987
with prior year figures for the 1985-86 Pool Account for comparison

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	18 555 981 tonnes		18 931 918 tonnes	
Sales value	$2,257,843,835	$121.677	$2,911,676,378	$153.797
Initial payments to producers	2,150,584,269	115.897	2,762,203,255	145.902
Gross Surplus	107,259,566	5.780	149,473,123	7.895
Deduct Operating Costs:				
Carrying charges:				
Country elevators	49,772,667	2.682	80,147,712	4.233
Terminal storage	16,582,309	.894	27,039,928	1.428
Total Carrying Charges	66,354,976	3.576	107,187,640	5.661
Bank interest & net interest on other Board accounts	(6,375,164)	(.344)	(2,674,500)	(.141)
Demurrage	1,770,643	.095	6,530,228	.345
Additional freight — to terminals	8,749,488	.472	8,087,425	.427
— freight rate change	825,363	.045	(126,518)	(.006)
Handling & stop-off	(99,389)	(.005)	508,282	.027
Drying	3,724,128	.201	23,113,388	1.221
Interest and depreciation on Wheat Board hopper cars	7,150,182	.385	10,581,214	.564
Wheat Board administrative expenses	17,130,832	.923	19,160,741	1.012
Total Operating Costs	99,231,059	5.348	172,467,900	9.110
Surplus (Deficit) on Operations	8,028,507	.432	$(22,994,777)	$(1.215)
Add: Interest earned after October 31	132,913	.007		
Deduct: Cost of issuing final payment	42,447	.002		
Surplus for Distribution to Producers	$ 8,118,973	$.437		

OPERATING COSTS

Operating costs incurred applicable to the pool were $99,231,059 or $5.348 per tonne. Details of the principal costs and comment thereon follows:

Carrying Charges—$66,354,976

Total carrying charges incurred by the Board, including storage and interest charges on wheat in country elevators and storage on wheat in terminal elevators amounted to $66,354,976 or $3.576 per tonne.

Bank Interest and Net Interest on Other Board Accounts—($6,375,164)

This account consists mainly of bank interest and interest paid to, or received from, other Board accounts. Interest earned exceeded interest paid by $6,375,164 or $.344 per tonne.

Additional Freight—to Terminals—$8,749,488
—Freight Rate Change—$825,363

During the crop year the Board paid $8,749,488 of additional freight arising out of the movement of grain in adverse direction.

With the abolition of the Crows Nest Pass Freight rate on December 31, 1983, freight rates are reviewed annually under the Western Grain Transportation Act. On August 1, 1987 freight rates increased by a net amount of approximately $.34 per metric tonne and the Board was required to pay the additional freight on the country stocks held by its agents on August 1, 1987 amounting to $825,363 in the Wheat account.

Drying Charges—$3,724,128

Drying charges for 1986-87 totaled $3,724,128, a very significant decrease from the previous year, reflecting the substantially lower quantities of tough and damp grain delivered to the pool under review.

Interest and Depreciation on Wheat Board Hopper Cars—$7,150,182

Costs for the use of the Board's 2,000 hopper cars include depreciation and interest. Hopper car expenses attributable to the 1986-87 Wheat Account totaled $7,150,182 compared to $10,681,214 for the previous pool.

POOL ACCOUNT—AMBER DURUM WHEAT

Initial Payments

During the crop year the Board was authorized to purchase Amber Durum Wheat from producers at a fixed initial price of $130.00 per tonne for No. 1 Canada Western Amber Durum Wheat.

Supplies of Amber Durum Wheat

Supplies of Amber Durum Wheat in the 1986-87 Pool were 3 061 296 tonnes, comprised of 2 865 836 tonnes delivered by producers, and 5 896 tonnes acquired from other than producers and 189 564 tonnes purchased from the previous pool.

TABLE C

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1986-87 POOL ACCOUNT—AMBER DURUM WHEAT

For the period August 1, 1986 to October 31, 1987
with prior year figures for the 1985-86 Pool Account for comparison

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	2 865 836 tonnes		1 685 977 tonnes	
Sales value	$407,204,103	$142.089	$296,715,755	$175.990
Initial payments to producers	343,855,111	119.984	256,984,980	152.425
Gross Surplus	63,348,992	22.105	39,730,775	23.565
Deduct Operating Costs:				
Carrying charges:				
Country elevators	9,493,349	3.313	6,528,593	3.872
Terminal storage	4,496,472	1.569	2,763,732	1.639
Total Carrying Charges	13,989,821	4.882	9,292,325	5.511
Interest	(570,302)	(.199)	(1,439,525)	(.854)
Demurrage	839,952	.293	888,837	.527
Additional freight — to terminals	332,687	.116	201,681	.120
— freight rate changes	234,532	.082	(1,024)	(.001)
Handling & stop-off	(145,302)	(.051)	916,763	.544
Drying	168,588	.059	1,819,147	1.079
Interest and depreciation on Wheat Board hopper cars	1,104,293	.385	951,213	.564
Wheat Board administrative expenses	2,645,732	.923	1,634,638	.970
Total Operating Costs	18,600,001	6.490	14,264,055	8.460
Surplus on Operations	44,748,991	15.615	25,466,720	15.105
Add: Interest earned after October 31	740,827	.258	576,261	.342
Deduct: Cost of issuing final payment	40,836	.014	34,602	.021
Surplus for Distribution to Producers	$45,448,982	$15.859	$26,008,379	$15.426

Grade Pattern

Receipts of Nos. 1, 2 and 3 Canada Western Amber Durum totaled 2.179 million tonnes or 76.02 per cent of total producer deliveries. Approximately 6.53 percent of producer deliveries graded tough while 4.07 per cent graded damp.

Final Statement of Operations and Surplus for Distribution to Producers—Amber Durum Wheat—Table C

Table C shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a surplus of $44,748,991. Operating expenses totaled $18,600,001 for the year or $6.490 per tonne. The principal cost was carrying charges amounting to $13,989,821 or $4.882 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers was $45,448,982. This surplus represents an overall average of $15.859 per tonne on producer deliveries of 2 865 836 tonnes. Table D shows the total payment received by producers for the principal grades of Amber Durum Wheat delivered during the crop year. This table shows the total price realized by producers for No. 1 Canada Western Amber Durum Wheat of $150.204 per tonne, compared to $181.302 per tonne for the previous pool.

TABLE D

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF AMBER DURUM WHEAT BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
		(dollars per tonne)	
Amber Durum Wheat Grades			
No. 1 Canada Western Amber Durum	130.00	20.204	150.204
No. 2 Canada Western Amber Durum	127.00	18.204	145.204
No. 3 Canada Western Amber Durum	125.00	15.204	140.204
No. 4 Canada Western Amber Durum	100.00	8.377	108.377
No. 5 Canada Western Amber Durum	90.00	—	90.000

POOL ACCOUNT—OATS

Commencing August 1, 1981, as authorized by Order-in-Council, oats selected and accepted from producers for use in processing and milling for human consumption, has been set up in a separate pool under the caption "Designated Oats". As a result, the transactions described here consist mainly of marketing results related to feeding grades of oats.

Initial Payments

During the crop year the Board was authorized to purchase oats from producers at a fixed initial price of $81.00 per tonne for No. 1 Feed Oats.

TABLE E

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1986-87 POOL ACCOUNT—OATS

For the period August 1, 1986 to October 31, 1987
with prior year figures for the 1985-86 Pool Account for comparison

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	254 144 tonnes		198 411 tonnes	
Sales value	$25.404.669	$99.962	$15.223.979	$76.729
Initial payments to producers	18.936.141	74.510	19.614.453	98.857
Gross Surplus (Deficit)	6.468.528	25.452	(4.390.474)	(22.128)
Deduct Operating Costs:				
Carrying charges:				
Country elevators	696.193	2.739	1.056.922	5.327
Terminal storage	589.322	2.319	538.960	2.716
Total Carrying Charges	1.285.515	5.058	1.595.882	8.043
Interest	(59.352)	(.233)	236.658	1.193
Demurrage	(6.196)	(.024)	37.344	.188
Additional freight — to terminals	243.254	.957	147.068	.741
— freight rate changes	17.779	.070	17.206	.087
Drying	12.903	.051	171.454	.864
Interest & depreciation on Wheat Board hopper cars	97.929	.385	111.942	.564
Wheat Board administrative expenses	234.625	.923	211.782	1.068
Total Operating Costs	1.826.457	7.187	2.529.336	12.748
Surplus (Deficit) on Operations	4.642.071	18.265	$(6.919.810)	$(34.876)
Add: Interest earned after October 31	76.850	.302		
Deduct: Cost of issuing final payment	12.404	.048		
Surplus for Distribution to Producers	$4.706.517	$18.519		

Grade Pattern

Deliveries of Nos. 1 and 2 Canada Western Oats comprised .44 per cent of producer deliveries with feeding grades constituting the remaining 99.56 per cent of total receipts. Board receipts of tough and damp oats made up 3.10 per cent of deliveries.

Final Statement of Operations and Surplus for Distribution to Producers—Oats—Table E

Table E shows the operating results of the Pool Account for the 1986-87 crop year. Marketing operations resulted in a surplus of $4,642,071. Operating expenses totaled $1,826,457 or $7.187 per tonne. The principal cost was carrying charges amounting to $1,285,515 or $5.058 per tonne. After allowing for the cost of issuing the final payment and estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers was $4,706,517 which represents an overall average of $18.519 per tonne on producer deliveries of 254 144 tonnes. Table F shows the total payment received by producers for the principal grades of oats delivered during the crop year.

TABLE F

PAYMENT RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF OATS BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(dollars per tonne)		
Oats Grades			
No. 1 Canada Western	81.00	24.766	105.766
No. 2 Canada Western	79.00	24.766	103.766
Extra No. 1 Feed	77.00	20.624	97.624
No. 1 Feed	75.00	18.266	93.266
No. 2 Feed	70.92	19.346	90.266

POOL ACCOUNT—DESIGNATED OATS

Beginning with the crop year commencing on August 1, 1981, oats delivered to the Board to be sold by the Board to purchasers who have selected and accepted the oats for use in processing and milling for human consumption, have been set up in a separate account. This account has been labeled "Designated Oats" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

During the crop year the Board was authorized to purchase Designated Oats from producers at fixed initial prices of $130.00 and $128.00 per tonne for Nos. 1 and 2 Canada Western Oats respectively and $124.00 per tonne for No. 1 Feed Oats.

TABLE G

STATEMENT OF OPERATIONS AND SURPLUS FOR DISTRIBUTION TO PRODUCERS ON THE 1986-87 POOL ACCOUNT—DESIGNATED OATS

For the period August 1, 1986 to October 31, 1987
with prior year figures for the 1985-86 Pool Account for comparison

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers		55 386 tonnes		36 714 tonnes
Sales value	$7,178,918	$129.617	$5,269,109	$143.51
Initial prices paid to producers	7,037,675	127.067	4,644,373	126.502
Gross Surplus	141,243	2.550	624,736	17.016
Deduct Operating Costs:				
Interest and bank charges	(27,400)	(.494)	(67,518)	(1.839)
Interest & depreciation on Wheat Board hopper cars	21,342	.385	20,714	.564
Wheat Board administrative expenses	51,132	.923	35,596	.970
Total Operating Costs	45,074	.814	(11,208)	(.305)
Surplus on Operations	96,169	1.736	635,944	17.321
Add: Interest earned after October 31	1,592	.029	14,390	.392
Deduct: Cost of issuing final payment	1,309	.023	838	.022
Surplus for Distribution to Producers	$ 96,452	$ 1.742	$ 649,496	$17.691

Supplies and Grade Pattern

Supplies of oats in the designated pool were 55 386 tonnes representing deliveries to the Board by producers during the crop year of oats which were selected and accepted by purchasers for use in processing and milling for human consumption. Receipts of Nos. 1 and 2 Canada Western Oats totaled 31 300 tonnes or 56.51 per cent of total deliveries. Feeding grades totaled 24 086 tonnes or 43.49 per cent of total receipts.

Final Statement of Operations and Surplus for Distribution to Producers—Designated Oats—Table G

Table G shows the operating results of this pool account for the crop year. Marketing operations resulted in a surplus of $96,169. As to operating costs, it should be noted that the Designated Oats Pool, by its very nature does not incur the handling expenses normally related to feeding grades of oats. It is not stored by the Board, being selected by the purchaser and shipped at his request from farm to processing plant via the country elevator. As a result, the only expenses incurred attributable to such oats were costs related to hopper cars owned by the Wheat Board and administrative charges totaling $72,474 or $1.308 per tonne. These expenses were reduced by interest earnings of $27,400 or $.494 per tonne on the accumulating surplus in the pool. After providing for the cost of issuing the final payment and adding estimated interest earnings subsequent to October 31, 1987, the net surplus for distribution to producers was $96,452 or $1.742 per tonne on producer deliveries of 55 386 tonnes. Table H shows the total payment received by producers for the principal grades of Designated Oats delivered during the crop year.

TABLE H

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED OATS BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments	Final Payments	Total
	(dollars per tonne)		
Oats Grades			
No. 1 Canada Western	130.00	2.585	132.585
No. 2 Canada Western	128.00	2.585	130.585
Extra No. 1 Feed	126.00	.638	126.638
No. 1 Feed	124.00	.638	124.638

POOL ACCOUNT—BARLEY

Since August 1, 1975, as authorized by Order-in-Council, barley selected and accepted from producers for the use of malting, pot or pearling, has been set up in a separate pool under the caption "Designated Barley". As a result, the transactions remaining in the Barley Pool Account described here consist mainly of marketing results related to feeding grades of barley.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase barley from producers at fixed initial prices of $80.00 and $77.00 per tonne for Nos. 1 and 2 Canada Western Barley respectively.

TABLE I

STATEMENT OF OPERATIONS ON THE 1986-87 POOL ACCOUNT—BARLEY
For the period August 1, 1986 to October 31, 1987
with prior year figures for the 1985-86 Pool Account for comparison

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	5 428 259 tonnes		4 947 005 tonnes	
Sales value	$362.974.021	$66.867	$406.487.805	$82.169
Initial payments to producers	431.547.562	79.500	539.124.215	108.980
Gross (Deficit)	(68.573.541)	(12.633)	(132.636.410)	(26.811)
Deduct Operating Costs:				
Carrying charges:				
Country elevators	8.767.644	1.615	10.622.501	2.147
Terminal storage	1.725.059	.318	3.957.268	.800
Total Carrying Charges	10.492.703	1.933	14.579.769	2.947
Interest	3.365.236	.620	5.593.975	1.131
Demurrage	448.507	.083	975.328	.197
Additional freight — to terminals	986.917	.182	2.165.184	.438
— freight rate changes	212.161	.039	19.309	.004
Handling and stop-off	(21.312)	(.004)	1.703.300	.344
Drying	1.383.103	.255	6.109.994	1.235
Interest & depreciation on Wheat Board hopper cars	2.091.673	.385	2.791.055	.564
Wheat Board administrative expenses	5.011.355	.923	4.796.365	.970
Total Operating Costs	23.970.343	4.416	38.734.279	7.830
(Deficit) on Operations	$(92.543.884)	$(17.049)	$(171.370.689)	$(34.641)

Supplies and Grade Pattern

Supplies in the regular Feed Barley pool were 5 443 791 tonnes comprised of 5 428 259 tonnes delivered by producers, 15 532 tonnes acquired from other than producers. Deliveries of Nos. 1 and 2 Canada Western Barley comprised 99.71 percent of the producer deliveries in the pool. Board receipts of tough and damp barley made up 4.95 per cent of deliveries.

Final Statement of Operations—Barley—Table I

Table I shows the operating results of the Pool Account for the crop year. Marketing operations resulted in a deficit of $92,543,884 which is recoverable from the Government of Canada with funds provided by Parliament. The total payment realized by producers is therefore, equal to the initial payments as shown in Table J. Operating expenses totaled $23,970,343 for the year or $4.416 per tonne. The principal cost was carrying charges amounting to $10,492,703 or $1.933 per tonne.

TABLE J

PAYMENT RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF BARLEY
BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments (dollars per tonne)
Barley Grades	
No. 1 Canada Western	80.00
No. 2 Canada Western	77.00
No. 2 Canada Western Mixed Grain	67.43

POOL ACCOUNT—DESIGNATED BARLEY

As stated previously, since August 1, 1975, barley that has been delivered to the Board to be sold by the Board to purchasers who have selected and accepted the barley for the use in malting, pot or pearling, has been set up in a separate pool account. This account has been labeled "Designated Barley" and the results of operations on this account with comment thereon are contained in this section of the report.

Initial Payments

At the beginning of the crop year the Board was authorized to purchase Designated Barley from producers at a fixed initial price of $155.00 per tonne for Special Select Canada Western Six-Row and $165.00 per tonne for Special Select Canada Western Two-Row.

Supplies and Grade Pattern

Supplies of barley in the designated pool were 1 035 883 tonnes representing deliveries to the Board by producers during the crop year of barley which has been selected and accepted by purchasers for the use in malting, pot or pearling. Of these receipts 483 383 tonnes or 46.67 per cent were Special Select grades and 552 500 tonnes or 53.33 per cent were Select grades. Receipts of tough and damp grades totaled 23 444 tonnes or 2.26 per cent of the total.

TABLE K

STATEMENT OF OPERATIONS ON THE 1986-87 POOL ACCOUNT—DESIGNATED BARLEY
For the period August 1, 1986 to October 31, 1987
with prior year figures for the 1985-86 Pool Account for comparison

	1986-87 Pool Account		1985-86 Pool Account	
	Amount	Rate per Tonne	Amount	Rate per Tonne
Receipts from Producers	1 035 883 tonnes		645 255 tonnes	
Sales value	$147,718,010	$142.601	$121,925,659	$188.957
Initial payments to producers	164,254,027	158.564	101,758,993	157.703
Gross (Deficit) Surplus	(16,536,017)	(15.963)	20,166,666	31.254
Deduct Operating Costs:				
Interest	(39,614)	(.037)	(2,036,919)	(3.157)
Demurrage	118,395	.114	-	-
Interest & depreciation on Wheat Board hopper cars	399,157	.385	364,047	.564
Wheat Board administrative expenses	956,324	.923	625,606	.970
Total Operating Costs	1,434,262	1.385	(1,047,266)	(1.623)
(Deficit) Surplus on Operations	$(17,970,279)	$(17.348)	21,213,932	32.877
Add: Interest earned after October 31			480,029	.744
Deduct: Cost of issuing final payment			10,125	.016
Surplus for Distribution to Producers			$21,683,836	$33.605

Final Statement of Operations—Designated Barley—Table K

Table K shows the operating results of this pool account for the crop year. Marketing operations resulted in a deficit of $17,970,279 which is recoverable from the Government of Canada with funds provided by Parliament. The total payment realized by producers, therefore, is equal to the initial payments as shown in Table L. As to operating costs, it should be noted that the Designated Barley Pool by its very nature does not incur the handling expenses normally related to feeding grades of barley or other grains. It is not stored by the Board, being selected by the processor (buyer) from a producer's sample and is shipped on buyer's call directly from farm to processing plant via the country elevator. As a result the only expenses incurred attributable to such barley were costs related to hopper cars owned by the Wheat Board, administrative charges and demurrage totaling $1,473,876 or $1.422 per tonne. These expenses were reduced by interest earnings of $39,614 or $.037 per tonne

TABLE L

TOTAL PAYMENTS RECEIVED BY PRODUCERS FOR PRINCIPAL GRADES OF DESIGNATED BARLEY BASIS IN STORE THUNDER BAY OR VANCOUVER

Grade	Initial Payments (dollars per tonne)
Designated Barley Grades	
Special Select Canada Western 2 Row	165.00
Special Select Canada Western 6 Row	155.00
Select Canada Western 2 Row	160.00
Select Canada Western 6 Row	150.00